

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Huron County Road Commission	County Huron
Fiscal Year End 12/31/2006	Opinion Date 05/25/2007	Date Audit Report Submitted to State 06/28/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Brining & Nartker, P.C.		Telephone Number 989-269-9909	
Street Address 64 Westland Drive		City Bad Axe	State MI
		Zip 48413	
Authorizing CPA Signature <i>Douglas P. Brining</i>		Printed Name Douglas P. Brining	License Number 08283

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**

**FINANCIAL REPORT
DECEMBER 31, 2006**

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN**

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INDEPENDENT AUDITORS' REPORT

Board of County Road Commissioners of
Huron County
Bad Axe, Michigan 48413

We have audited the basic financial statements of the Huron County Road Commission, a component unit of Huron County, Michigan, as of December 31, 2006, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Huron County Road Commission as of December 31, 2006, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information and pension plan data on pages 2 through 6 and 20 through 23, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Huron County Road Commission. The statement on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Road Commission of Huron County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brining & Nartker, P.C.

BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

May 25, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Board of County Road Commissioners of Huron County

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Management's Discussion and Analysis

This section of the Huron County Road Commission's (the "Road Commission") annual financial report presents our discussion and analysis of the Road Commission's financial performance during the fiscal year that ended December 31, 2006. Please read this M.D. & A. in conjunction with the Road Commission's financial statements, which follow this section.

Financial Highlights

- The Road commission's total net assets increased by approximately \$2.3 million
- During the year, restricted net assets increased by approximately \$273,000.
- Total Revenue sources for the year of \$13.4 million exceeded expenditures of \$11.1 million by \$2.3 million.
- \$7 million was invested in capital assets during the year.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplementary information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with more detail regarding Road Fund balances.

Financial Analysis of the Road Commission as a Whole

Net Assets

The Road Commission combined net assets increased during 2006 by approximately \$2.3 million, ending the year at \$65.8 million. Table 1 below shows the composition of the Road Commission's net assets at December 31, 2006 compared with December 31, 2005.

Table 1

	<u>Governmental Activities</u>	
	2006	2005
	(in thousands)	
Assets		
Current and other assets	\$ 6,266	\$ 6,266
Capital assets	62,611	60,747
Total assets	<u>68,877</u>	<u>67,013</u>
Liabilities		
Long-term liabilities outstanding	1,430	1,551
Other liabilities	1,553	1,856
Total liabilities	<u>2,983</u>	<u>3,407</u>
Net Assets		
Invested in capital assets – Net of related debt	61,995	59,980
Restricted	3,899	3,626
Total net assets	<u>\$ 65,894</u>	<u>\$ 63,606</u>

Changes in Net Assets

The Michigan Transportation Fund (MTF) revenue is the result of a statutory formula that is structured to share various fuel taxes and license fees collected by the State of Michigan with cities, road commissions and the Michigan Department of Transportation. This revenue item is one of the primary sources of revenue for the Road Commission.

For 2006, MTF revenue remained flat compared to 2005 levels. However, consistent with past practice, the projected MTF for 2006 was a conservative figure. The final MTF revenue was approximately \$400,000 more than budgeted. Also, revenue from township activity increased \$1.1 million over the prior year. Trunkline Maintenance along with special projects funded by State and Federal dollars further increase revenue over budget amounts.

With regard to expenses there was no abnormal activity. Appropriate line item expenses increased in direct proportion to specific revenue increases.

The Road Commission's change in net assets was a combination of various revenue sources and expense categories as shown in Table 2.

Table 2

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
	(in thousands)	
Revenue		
Michigan Transportation Fund	\$ 4,916	\$ 4,977
State Trunkline maintenance	1,847	1,784
Federal and state aid	1,620	979
Contributions for work performed for others	3,628	2,575
Interest	81	49
Miscellaneous	-	-
Property Taxes	1,117	1,062
Gain on sale of assets	137	121
Sale of easements	11	-
Total Revenue	<u>13,357</u>	<u>11,547</u>
Expenses		
Routine and preventative maintenance	\$ 4,535	\$ 4,617
Equipment	564	345
Administrative	485	438
Compensated absences	30	(45)
Depreciation and depletion	5,416	5,438
Interest	39	57
Total Expenses	<u>11,069</u>	<u>10,850</u>
Change in net assets	<u>\$ 2,288</u>	<u>\$ 697</u>

Capital Assets

The road Commission has approximately \$62.6 million in net capital assets at the end of the year due mainly to infrastructure improvements.

These infrastructure improvements during the year involved constructing and reconstructing roads, bridges and intersections. The Road Commission also contributed \$360,000 to work performed on the local road system. During the year, 112 miles of road improvements were made. This consists of 25 miles on the primary road system and 87 miles on the local road system.

Further infrastructure improvements included repair or rehabilitation of approximately 10 bridges. Design began or continued on four bridges for the township & primary system. A new bridge was constructed on the Sebewaing Road over the East Branch of the Pigeon River.

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
	(in thousands)	
Land improvements	\$ 10,188	\$ 9,624
Buildings	1,324	1,311
Road Equipment	6,667	6,652
Shop Equipment	93	95
Office Equipment	101	97
Engineering Equipment	88	100
Gravel pits	90	90
Yard and storage bins	424	424
Roads	63,235	61,831
Bridges	23,948	23,216
Total	<u><u>\$ 106,158</u></u>	<u><u>\$ 103,440</u></u>

The Year in Review and the 2006 Budget.

The early (January-March) winter of 2006 proved to be most unusual. The weather started out quite mild. Then it snowed extensively. After a very short period of time the weather turned warm and it rained. This warm/rainy condition continued for several weeks causing extensive damage to many roads but township gravel roads in particular. Maintenance activities such as grading and placement of new gravel had not occurred here during the months of January and February in recent memory. Therefore, early maintenance costs were extremely high. Fortunately, the late winter (November-December) was mild. There was little or no snow fighting activity late in the year. This resulted in maintenance cost savings which offset the costs incurred early on.

Our Townships had a very aggressive work program again in 2006. Township investment increased, approximately \$1.1 million over 2005 levels.

The road commission also continued the fine working relationship with MDOT specifically the Cass City T.S.C. Several safety projects were completed by road commission forces and funding entirely by federal and/or state sources. Some of these projects included eliminating a severe snow trap area and slope restoration on M-25 south of Harbor Beach, creating a center turn lane on M-25 near USA Schools, several asphalt projects and a continuation of the tree and brush removal program.

Traffic safety continued to be a prime focus in 2006. The vertical reflective sheeting program (lollipop) was expanded to the entire county. State Trunkline intersections were also included. The conversion to prismatic reflective film has begun for all new signs. This is the most reflective film available. During all recycling and asphalt projects, roads continue to be widened and radii are improved to help prevent edge cracking. Other traffic safety projects were conducted as well. This is significant since there are considerable increased costs involved in undertaking such an aggressive safety program.

The Year in Review and the 2006 Budget (Continued)

Capital purchases in 2006 reflected progression to the long term goal of planned equipment obsolescence. Therefore, no large ticket items were necessary in 2006 with exception of new mowing tractors. The remaining purchases were relatively small items. It is important to note however, that several used vehicles were acquired in 2006. This practice proved financially beneficially in that previous equipment was replaced and updated with exactly the equipment necessary at a fraction of the cost of new. The road commission is extremely fortunate to have qualified technicians and fabricators who can modify equipment for specific purposes.

The 2007 budget is again conservative in nature. Asphalt costs remained flat compared to 2006 levels. Unfortunately, fuel and maintenance costs continue to increase. Capital purchases for 2007 will be limited as planned.

Townships appear to be on track to spend much the same as 2006. However, much of that work will be new asphalt or lime stone hauled by contractors. This issue continues to be a source of concern and topic of conversation.

BASIC FINANCIAL STATEMENTS

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

ASSETS:

Current assets:

Cash	\$ 1,800,443
Accounts receivable:	
Taxes	1,148,543
Sundry accounts	25,694
State trunkline maintenance	96,902
State - other	25,199
Michigan transportation fund	761,363
Due on county road agreements	1,200,696
Due from other component units	562,865
Inventories:	
Road materials	281,141
Equipment parts and materials	318,979
Prepaid expenses	38,488
Deferred expenses	5,527

Noncurrent assets:

Capital assets (net of accumulated depreciation)	62,611,336
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TOTAL ASSETS

68,877,176

LIABILITIES:

Current liabilities:

Accounts payable	92,155
Due to State of Michigan	2,254
Accrued wages	94,086
Performance bonds payable	91,636
Interest payable	31,860
Installment purchase agreements payable	92,417
Deferred revenue	1,148,543

Noncurrent liabilities:

Advances from state	283,674
Installment purchase agreements payable	616,231
Vested employee benefits payable	530,199

TOTAL LIABILITIES

2,983,055

NET ASSETS:

Investment in capital assets net of related debt	61,995,105
Restricted for county roads	3,899,016

TOTAL NET ASSETS

\$ 65,894,121

The accompanying notes are an integral part of the financial statements.

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

PROGRAM EXPENSES:	
Primary road routine and preventative maintenance	\$ 1,092,099
Local road routine and preventative maintenance	1,605,085
State trunkline maintenance	1,837,196
Net equipment expense	563,529
Net administrative expense	485,467
Compensated absences	30,333
Infrastructure depreciation	5,416,271
Interest expense	39,291
TOTAL PROGRAM EXPENSES	<u>11,069,271</u>
PROGRAM REVENUE:	
Charges for services:	
Charges for services	1,847,274
Contributions from Local Units	3,627,654
Reimbursements	82
Operating grants and contributions:	
Michigan Transportation Funds	4,915,548
Investment earnings	80,849
Capital grants and contributions:	
Federal grants	979,534
State grants	640,355
TOTAL PROGRAM REVENUE	<u>12,091,296</u>
NET PROGRAM REVENUE	<u>1,022,025</u>
GENERAL REVENUE:	
Property taxes	1,117,085
Gain on equipment disposal	137,576
TOTAL GENERAL REVENUES	<u>1,254,661</u>
SPECIAL ITEMS:	
Sale of easement	11,500
CHANGE IN NET ASSETS	<u>2,288,186</u>
NET ASSETS - BEGINNING OF YEAR	63,605,935
NET ASSETS - END OF YEAR	<u>\$ 65,894,121</u>

The accompanying notes are an integral part of the financial statements.

HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2006

ASSETS

Cash and investments	\$ 1,800,443
Taxes receivable	1,148,543
Accounts receivable	25,694
Due from other governmental units:	
State	883,465
Local	1,200,696
Due from other component units	562,865
Inventory	600,120
Prepaid insurance	38,488
Deferred expenses	5,527
TOTAL ASSETS	<u>\$ 6,265,841</u>

LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts payable	\$ 92,155
Due to State of Michigan	2,254
Accrued wages	94,086
Advances - State trunkline maintenance	84,007
Advances - State trunkline equipment	199,667
Performance bonds payable	91,636
Interest payable	31,860
Installment purchase agreements payable	92,417
Deferred revenue	1,148,543
TOTAL LIABILITIES	<u>1,836,625</u>

FUND EQUITY:

Fund balance	4,429,216
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 6,265,841</u>

HURON COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

Total governmental fund balance	\$ 4,429,216
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	62,611,336
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Long-term liabilities are not due in the current period and therefore are not reported as a liability in the Governmental Funds Balance Sheet.	(1,146,431)
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Net assets of governmental activities	<u>\$ 65,894,121</u>
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The accompanying notes are an integral part of the financial statements.

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

REVENUES:	
Property taxes	\$ 1,117,085
Federal aid	979,534
State aid	5,555,903
Contributions from local units	3,627,654
Charges for services	1,847,274
Interest	80,849
Other	137,658
TOTAL REVENUES	<u>13,345,957</u>
EXPENDITURES:	
Public works	12,994,850
Capital outlay	(131,360)
Debt service:	
Principal	151,380
Interest and fees	39,291
TOTAL EXPENDITURES	<u>13,054,161</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>291,796</u>
SPECIAL ITEMS:	
Sale of easement	11,500
NET CHANGE IN FUND BALANCE	<u>303,296</u>
FUND BALANCE - JANUARY 1	4,125,920
FUND BALANCE - DECEMBER 31	<u>\$ 4,429,216</u>

**HURON COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net change in fund balance - total governmental funds	\$ 303,296
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay incurred in the current year	8,010,105
Depreciation	(6,146,262)
Repayment of installment purchase agreement principal is an expenditure in the governmental funds, but reduces the long-term liabilities in the statement of net assets.	151,380
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Increase in compensated absences	(30,333)
Change in net assets of governmental activities.	<u>\$ 2,288,186</u>

The accompanying notes are an integral part of the financial statements.

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Huron County Road Commission conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Huron County Road Commission.

The Reporting Entity

The Huron County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an appointed three member board of county road commissioners. The Road Commission may not issue debt or levy a tax without the approval of the county board of commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County total tax levy as well as reported in the County Road Fund. The Road Commission provides services to twenty-eight townships within Huron County and maintains over 1,750 miles of state, local and primary roads.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by Statement No. 39, the Road Commission's Operating Fund is considered to be a component unit of Huron County for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the financial reporting entity's statements are discussed in the following paragraphs.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The reasons cited for including the Huron County Road Commission as a component unit of Huron County (the primary government) include the appointment of the Road Commission's three member governing board, the ability to impose its will on the Road Commission and the potential for a financial benefit or burden on the County.

Related Organizations

The Board of County Road Commissioners is also the appointed governing body of the Drains, Parks and Airport Funds of Huron County. These funds are also component units of Huron County, but are not included in these financial statements. The financial statements for the Drains, Parks and Airport Funds are issued in separate reports, which are available at the Huron County Road Commission office located at 417 S. Hanselman St., Bad Axe, Michigan.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

(Continued)

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to inventories and unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes

During 2004, the voters of Huron County approved the renewal of a county-wide millage of one mil for five years for primary road resurfacing and reconstruction. Collection of this millage began December 1, 2004 and will continue until February, 2009. Management has established a policy of revenue recognition for property taxes as follows. The property tax is levied on each December 1st on the taxable valuation of property located in Huron County as of the preceding December 31st. These taxes have a final collection date of February 28, before they are added to the County's delinquent tax rolls. The delinquent real property taxes are purchased by the County's Revolving Tax Fund. These taxes are recorded as revenue for the year when current collections are completed, which is the fiscal year following the levy date of December 1.

Inventory

Inventory is stated at cost using the average cost method. Inventory items are charged to expenditures for road construction and equipment maintenance, repairs and operations as used.

Depreciation

Depreciation for road equipment and vehicles is computed using the sum-of-the-years digits method using the depreciation table in "Schedule C - Equipment Rental Rates" issued by the Michigan Department of Transportation. For all other capital assets, depreciation is computed on the straight-line method. Estimated useful lives are as follows:

Road equipment	5 - 8 years
Office and engineering equipment	8 years
Shop equipment	10 years
Yard and storage equipment	10 - 20 years
Buildings	25 - 50 years
Roads	5 - 30 years
Bridges	12 - 50 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals which are required to be reported despite the date of purchase.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource (gravel).

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation and depletion in the governmental fund statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditures do not affect the available operating equity of the governmental fund statements.

NOTE 2 - BUDGET INFORMATION

Annual budgets, and all amendments thereto, for the Governmental Funds are adopted by the Board to the line item level on a basis consistent with U.S. generally accepted accounting principles. All annual appropriations lapse at year end. The Road Commission does not utilize encumbrance accounting.

(Continued)

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 2 - BUDGET INFORMATION (Continued)

Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2006, the Road Commission incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated as follows:

<u>FUND</u>	<u>AMENDED BUDGET</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>VARIANCE FROM BUDGET</u>
Operating Fund:			
Local roads preservation	\$ 4,000,000	\$ 4,081,579	\$ 81,579
Primary structures routine maintenance	\$ 3,000	\$ 137,597	\$ 134,597
Local structures preservation	\$ 80,000	\$ 92,851	\$ 12,851
State trunkline maintenance	\$ 750,000	\$ 770,594	\$ 20,594
State trunkline non-maintenance	\$ 1,050,000	\$ 1,066,602	\$ 16,602
Equipment expense - direct	\$ 1,500,000	\$ 1,502,453	\$ 2,453
Administrative expense	\$ 820,000	\$ 823,565	\$ 3,565
Capital outlay	\$ 600,000	\$ 604,791	\$ 4,791
Debt service - principal	\$ 150,000	\$ 151,380	\$ 1,380

NOTE 3 - CASH AND INVESTMENTS

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Road Commission. All Road Commission receipts are deposited with the Huron County Treasurer's Office, and in order to make disbursements, the Huron County Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. Also, in order to invest cash, a request is made to the County Treasurer.

Deposits are carried at cost. Deposits of the Road Commission are at various banks in the name of the Huron County Treasurer. Michigan Compiled Laws, Section 129.91, authorize the County to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations with an office located in Michigan; bonds, securities and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; and investment pools organized under the surplus funds investment pool act; and obligations of the State of Michigan or its political subdivisions which are rated as investment grade.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Road Commission's deposits are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 3 as amended by Statement No. 40, risk disclosures for the Road Commission's cash deposits are as follows:

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk. At year end, the Road Commission had \$1,852,324 of its bank balance (checking accounts, savings accounts or certificates of deposit) of \$2,052,324 exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 1,852,324</u>
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**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the current year was as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Capital assets, not being depreciated -				
Land	\$ 88,288	\$ -	\$ -	\$ 88,288
Land improvements	9,535,733	563,766	-	10,099,499
Total capital assets, not being depreciated	<u>9,624,021</u>	<u>563,766</u>	<u>-</u>	<u>10,187,787</u>
Capital assets, being depreciated -				
Buildings and improvements	1,310,775	17,512	4,725	1,323,562
Road equipment	6,651,719	565,687	550,592	6,666,814
Shop equipment	94,666	2,000	3,480	93,186
Office equipment	96,983	18,997	14,830	101,150
Engineering equipment	99,854	595	12,393	88,056
Yard and storage	424,423	-	-	424,423
Infrastructure -				
Roads	61,831,279	6,115,422	4,711,241	63,235,460
Bridges	23,215,658	732,287	-	23,947,945
Depletable assets -				
Gravel pits	90,453	-	-	90,453
	<u>93,815,810</u>	<u>7,452,500</u>	<u>5,297,261</u>	<u>95,971,049</u>
Less - accumulated depreciation for -				
Buildings and improvements	929,766	33,169	4,725	958,210
Road equipment	5,141,884	654,659	547,616	5,248,927
Shop equipment	61,403	5,492	3,480	63,415
Office equipment	74,007	10,501	11,647	72,861
Engineering equipment	79,925	6,479	12,393	74,011
Yard and storage	246,814	19,691	-	266,505
Infrastructure -				
Roads	30,483,661	4,914,165	4,711,241	30,686,585
Bridges	5,596,764	502,106	-	6,098,870
Depletable assets	78,116	-	-	78,116
	<u>42,692,340</u>	<u>6,146,262</u>	<u>5,291,102</u>	<u>43,547,500</u>
Total capital assets, being depreciated, net	<u>51,123,470</u>	<u>1,306,238</u>	<u>6,159</u>	<u>52,423,549</u>
Governmental activity capital assets, net	<u>\$ 60,747,491</u>	<u>\$ 1,870,004</u>	<u>\$ 6,159</u>	<u>\$ 62,611,336</u>

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 5 – CAPITAL LEASES

The Road Commission has entered into lease agreements as the lessee for financing the purchase of road graders. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

	<u>Cat Grader</u>	<u>Cat Grader</u>	<u>Total</u>
2007	\$ 133,093	\$ 37,200	\$ 170,293
2008	-	125,883	125,883
Total minimum lease payments	<u>133,093</u>	<u>163,083</u>	<u>296,176</u>
Less: amount representing interest	4,268	7,897	12,165
Present value	<u>\$ 128,825</u>	<u>\$ 155,186</u>	<u>\$ 284,011</u>

NOTE 6 - DUE FROM/TO OTHER COMPONENT UNITS

Interfund receivable and payable balances at December 31, 2006 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
Airport Fund	\$ 38,990	\$ -
Parks Fund	464,619	-
Drains Fund	59,256	-
	<u>\$ 562,865</u>	<u>\$ -</u>

The funds listed above are other component units of the County of Huron. The financial statements for these entities are issued under separate cover. All amounts are expected to be repaid in less than one year.

NOTE 7 – LONG-TERM DEBT

The following is a summary of the outstanding debt of the Road Commission as of December 31, 2006:

	<u>INTEREST RATE</u>	<u>MATURING THROUGH</u>	<u>PRINCIPAL OUTSTANDING</u>
Drain assessment payable - Allen Drain	Various	2011	\$ 137,419
Drain assessment payable - Shebeon Drain	Various	2010	194,801
TOTAL LONG-TERM DEBT			<u>\$ 332,220</u>

(Continued)

HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 7 – LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt of the Road Commission for the year ended December 31, 2006:

	BALANCE JANUARY 1, 2006	ADDITIONS	REDUCTIONS	BALANCE DECEMBER 31, 2006
Vested employee benefits payable	\$ 499,866	\$ 30,333	\$ -	\$ 530,199
Drain assessment payable - Allen	164,903	-	27,484	137,419
Drain assessment payable - Shebeon	259,734	-	64,933	194,801
	<u>\$ 924,503</u>	<u>\$ 30,333</u>	<u>\$ 92,417</u>	<u>\$ 862,419</u>

Annual principal requirements to maturity for the above long-term debt are as follows:

	<u>ALLEN DRAIN ASSESSMENT</u> <u>PRINCIPAL</u>	<u>INTEREST</u>	<u>SHEBEON DRAIN ASSESSMENT</u> <u>PRINCIPAL</u>	<u>INTEREST</u>
<u>YEAR ENDING</u> <u>DECEMBER 31,</u>				
2007	\$ 27,484	\$ 7,915	\$ 64,934	\$ 12,467
2008	27,484	6,332	64,934	8,312
2009	27,484	4,749	64,933	4,156
2010	27,484	3,166	-	-
2011	27,483	1,583	-	-
	<u>\$ 137,419</u>	<u>\$ 23,745</u>	<u>\$ 194,801</u>	<u>\$ 24,935</u>

The amounts shown as future year interest requirements were determined using the interest rate in effect during 2006. These interest rates fluctuate on a yearly basis.

Vested Employee Benefits

Vacation is earned in varying amounts depending on the number of years of service for each employee. Vacation earned in one year is credited to employees on the anniversary of their hire date of the following year. An employee may carry over from year-to-year 120 hours of accumulated vacation.

After one year of service, sick leave is earned by each full-time employee at the rate of eight hours for every month of completed service. Unused sick leave may be accumulated to a total of 400 hours.

Vacation pay is paid at 100 percent upon retirement. Sick pay is paid at 100 percent when an employee retires, with payment not to exceed 270 hours. Fifty percent of sick leave earned and unused in excess of 270 hours is paid each January of the following year. Accumulated vacation and sick leave hours are recorded at 100 percent in the financial statements.

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 8 - DEFERRED COMPENSATION

The Road Commission offers all employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plan are held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Road Commission's financial statements.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Plan - Single Employer

Plan Description

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is a participant in the Municipal Employees Retirement System of Michigan (MERS), which is an agent multiple-employer, state-wide, public employee pension plan that was created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. Pursuant to Act 220, on August 15, 1996, MERS became an independent public non-profit corporation which is an instrumentality of the participating municipalities and courts. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. It provides centralized administration and investment of plan assets, but each employer unit is separately experience rated. MERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS, 1134 Municipal Way, Lansing, MI 48917 or by calling 1-800-767-6377.

Funding Policy

Employees are required to contribute either 3% of their annual earnings up to \$4,200 and 5% thereafter, or a flat 4.7% to the System based on the division in which the employee is a member. The Road Commission is required to contribute amounts necessary to fund the System using sound actuarial methods; the rates for 2006 were 2.60% for union employees, 18.80% for non-union employees and 23.14% for the manager.

Annual Pension Cost

For 2006, the Road Commission made actual contributions of \$253,482 which were made based on the payroll paid rather than the estimated payroll used in the actuarial valuation. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, (b) projected merit and longevity wage increases ranging from 4.5% to 12.9% per year, with a projected annual payroll increase of 4.5%, (c) a mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement, (d) assumed retirement rates projecting when members will retire and commence receiving retirement benefits, and (e) a set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement. The Road Commission's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis.

(Continued)

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three-Year Trend Information

<u>YEAR ENDING</u>	<u>ANNUAL REQUIRED CONTRIBUTION* (ARC)</u>	<u>PERCENTAGE OF ARC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
12/31/2004	\$ 162,144	100%	\$ -
12/31/2005	\$ 179,532	100%	\$ -
12/31/2006	\$ 250,548	100%	\$ -

* Based on valuation payroll. Actual contributions will be based on actual payroll and will be different from the above amounts (usually higher).

Postemployment Benefits

In addition to pension benefits, the Road Commission provides the following benefits to its retired employees:

Life Insurance

The Road Commission pays the premiums for a group life insurance policy in the amount of \$3,000 to \$15,000 for each retired employee. For the year ended December 31, 2006, the Road Commission paid \$1,899 in life insurance premiums on behalf of 33 retired employees. During 2002, the Road Commission elected to drop commercial life insurance policies for the retired employees with \$1,000 of coverage. Instead they have opted to self-insure the lives of these 11 retired employees. During the year ended December 31, 2006 there were no claims paid under this self-insurance policy, and 11 retirees remain under this system.

Health Insurance

The Road Commission also provides optional health insurance through Blue Cross & Blue Shield to its retired employees depending on their age. The Board pays the premiums for each employee that retires prior to age 65 for a maximum of three years, or until they reach age 65. Those employees who retire or continue coverage after age 65 may obtain coverage through the Road Commission, but are responsible for the full cost of all premiums. For the year ended December 31, 2006, premiums paid by the Road Commission for 5 retired employees were \$40,753, while premiums paid by retired employees totaled \$227,365.

All of the post-employment benefits provided are included in agreements between the Board and employee groups, with all required Board premiums being funded on a pay-as-you-go basis.

NOTE 10 - CONTINGENT LIABILITIES

Various suits involving personal injury claims have been filed or are pending against the Road Commission. The only direct financial responsibility that the Road Commission has concerning the above claims is the payment of a \$1,000 deductible, per occurrence, to the Michigan County Road Commission Self-Insurance Pool. The Road Commission is afforded coverage through the Pool with more than sufficient limits to cover any settlement or adverse judgment.

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights which has been accrued on the financial statements amounted to \$530,199 for sick leave and vacation pay at December 31, 2006.

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

NOTE 11 - RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission joined together with other Road Commissions to form the Michigan County Road Commission Self-Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program which charges an annual premium to its members for insurance coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$10 million for each insured event. The MCRCSIP provides general liability, casualty and fleet coverage to the Road Commission, and acts as an agent for the Road Commission by purchasing commercial insurance for underground storage tank liability.

The Road Commission is also a member of the Michigan County Road Association Self-Insurance Fund, a public entity risk pool providing risk management for worker's compensation. The Road Commission also continues to carry commercial insurance for employee health coverage.

At December 31, 2006, there were no claims that exceeded insurance coverage. The Road Commission had no significant reduction in insurance coverage from the previous year.

NOTE 12 - FEDERAL FINANCIAL ASSISTANCE

The Michigan Department of Transportation (MDOT) acts as the agent of the Federal Highway Administration (FHWA) in the administration of Federal funds provided for the improvement of road systems of Local Public Agencies (LPA) located in Michigan. Although these funds are provided for the improvement of the LPA's road systems, MDOT, as the agent of FHWA, is responsible for controlling receipts and disbursements related to the funds. In this capacity, MDOT also awards construction contracts and, in some instances, contracts for other services or performs related work with MDOT forces. The LPA receives interim and final accountings of project receipts and disbursements from MDOT. The interim and final accountings are reflected in the LPA's accounting records. Federal compliance testing of these funds will be included in the audit of MDOT.

During the year ended December 31, 2006, the Huron County Road Commission, as an LPA, received a benefit of \$954,380 of federal funds through MDOT for the improvement of road systems and bridges.

Also, during 2006 the Huron County Road Commission received \$25,154 of federal funds on a reimbursement basis for force account work performed to install reflective panels at intersections throughout the county.

SUPPLEMENTAL INFORMATION

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE- FROM AMENDED POSITIVE (NEGATIVE)
REVENUES:				
Property Taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,117,085	\$ 17,085
Federal Aid:				
Surface transportation program	440,000	695,000	683,676	(11,324)
Economic development "D" funds	350,000	300,000	295,858	(4,142)
Critical bridges	480,000	-	-	-
Total Federal Grants	1,270,000	995,000	979,534	(15,466)
State Aid:				
Michigan Transportation Fund:				
Engineering	10,000	10,000	10,000	-
Primary roads	2,300,000	2,500,000	2,543,892	43,892
Local roads	2,190,000	2,390,000	2,353,576	(36,424)
Snow removal	-	-	8,080	8,080
Critical bridge funds	90,000	529,000	535,023	6,023
Economic development fund:				
Target industries "A" funds	-	-	-	-
Rural primary "D" funds	175,000	136,000	136,340	340
Capital asset grants	-	-	(31,008)	(31,008)
Total State Grants	4,765,000	5,565,000	5,555,903	(9,097)
Contributions:				
Townships	2,900,000	3,500,000	3,627,654	127,654
Other	40,000	-	-	-
Total Contributions	2,940,000	3,500,000	3,627,654	127,654
Charges for Services:				
State trunkline maintenance	750,000	750,000	770,594	20,594
State trunkline non-maintenance	700,000	1,050,000	1,066,602	16,602
Salvage sales	30,000	20,000	10,078	(9,922)
Total Charges for Services	1,480,000	1,820,000	1,847,274	27,274
Interest	40,000	70,000	80,849	10,849
Other Revenues:				
Sundry refunds	-	-	82	82
Gain on sale of equipment	120,000	140,000	137,576	(2,424)
Total Other Revenues	120,000	140,000	137,658	(2,342)
TOTAL REVENUES	11,715,000	13,190,000	13,345,957	155,957

(Continued)

HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FROM AMENDED POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
Primary Roads:				
Preservation-structural improvements	2,400,000	2,600,000	2,597,609	2,391
Routine and preventative maintenance	1,000,000	1,100,000	954,502	145,498
Total Primary Roads	<u>3,400,000</u>	<u>3,700,000</u>	<u>3,552,111</u>	<u>147,889</u>
Local Roads:				
Preservation-structural improvements	3,500,000	4,000,000	4,081,579	(81,579)
Routine and preventative maintenance	1,500,000	1,700,000	1,598,796	101,204
Total Local Roads	<u>5,000,000</u>	<u>5,700,000</u>	<u>5,680,375</u>	<u>19,625</u>
Primary Road Structures:				
Preservation-structural improvements	880,000	800,000	639,435	160,565
Routine and preventative maintenance	1,000	3,000	137,597	(134,597)
Total Primary Road Structures	<u>881,000</u>	<u>803,000</u>	<u>777,032</u>	<u>25,968</u>
Local Road Structures:				
Preservation-structural improvements	80,000	80,000	92,851	(12,851)
Routine and preventative maintenance	1,000	8,000	6,289	1,711
Total Local Road Structures	<u>81,000</u>	<u>88,000</u>	<u>99,140</u>	<u>(11,140)</u>
State Trunkline:				
Maintenance	750,000	750,000	770,594	(20,594)
Non-maintenance	700,000	1,050,000	1,066,602	(16,602)
Total State Trunkline	<u>1,450,000</u>	<u>1,800,000</u>	<u>1,837,196</u>	<u>(37,196)</u>
Equipment Expense - Net:				
Direct	1,200,000	1,500,000	1,502,453	(2,453)
Indirect	650,000	620,000	589,977	30,023
Operating	550,000	620,000	538,160	81,840
Less: Equipment rental	<u>(2,300,000)</u>	<u>(2,300,000)</u>	<u>(2,067,061)</u>	<u>(232,939)</u>
Total Equipment Expense	<u>100,000</u>	<u>440,000</u>	<u>563,529</u>	<u>(123,529)</u>
Administrative Expense - Net:				
Administrative expense	760,000	820,000	823,565	(3,565)
Less:				
Overhead - State Trunkline	(100,000)	(130,000)	(146,648)	16,648
Overhead - Parks Fund	(45,000)	(45,000)	(46,497)	1,497
Overhead - Airport Fund	(5,000)	(5,000)	(4,700)	(300)
Overhead - Drain Fund	(140,000)	(140,000)	(140,000)	-
Purchase discounts	<u>(1,000)</u>	<u>(1,000)</u>	<u>(253)</u>	<u>(747)</u>
Total Administrative Expense	<u>469,000</u>	<u>499,000</u>	<u>485,467</u>	<u>13,533</u>

(Continued)

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE- FROM AMENDED POSITIVE (NEGATIVE)
Capital Outlay - Net:				
Capital outlay	660,000	600,000	604,791	(4,791)
Less:				
Equipment retirements	-	-	(6,160)	6,160
Depreciation and depletion	(650,000)	(700,000)	(729,991)	29,991
Total Capital Outlay	<u>10,000</u>	<u>(100,000)</u>	<u>(131,360)</u>	<u>31,360</u>
Debt Service:				
Principal	150,000	150,000	151,380	(1,380)
Interest and fees	<u>50,000</u>	<u>50,000</u>	<u>39,291</u>	<u>10,709</u>
Total Debt Service	<u>200,000</u>	<u>200,000</u>	<u>190,671</u>	<u>9,329</u>
TOTAL EXPENDITURES	<u>11,591,000</u>	<u>13,130,000</u>	<u>13,054,161</u>	<u>75,839</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>124,000</u>	<u>60,000</u>	<u>291,796</u>	<u>231,796</u>
SPECIAL ITEMS:				
Sale of easement	-	-	11,500	11,500
NET CHANGE IN FUND BALANCE	<u>124,000</u>	<u>60,000</u>	<u>303,296</u>	<u>243,296</u>
FUND BALANCE - JANUARY 1	4,125,920	4,125,920	4,125,920	-
FUND BALANCE - DECEMBER 31	<u>\$ 4,249,920</u>	<u>\$ 4,185,920</u>	<u>\$ 4,429,216</u>	<u>\$ 243,296</u>

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
PENSION PLAN DATA
DECEMBER 31, 2006**

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAAL)	Funded Ratio	Covered Payroll	UAAAL as a % of Covered Payroll
12/31/96	\$ 11,764,764	\$ 11,066,779	\$ (697,985)	106%	\$ 2,089,246	0%
12/31/97	\$ 12,772,918	\$ 11,992,951	\$ (779,967)	107%	\$ 1,992,931	0%
12/31/98	\$ 13,879,361	\$ 11,977,091	\$ (1,902,270)	116%	\$ 1,973,483	0%
12/31/99	\$ 15,441,579	\$ 13,160,201	\$ (2,281,378)	117%	\$ 2,273,748	0%
12/31/00	\$ 16,313,899	\$ 15,881,803	\$ (432,096)	103%	\$ 2,387,777	0%
12/31/01	\$ 16,673,821	\$ 16,982,168	\$ 308,347	98%	\$ 2,601,414	12%
12/31/02	\$ 16,288,042	\$ 17,365,850	\$ 1,077,808	94%	\$ 2,690,619	40%
12/31/03	\$ 16,525,788	\$ 17,963,908	\$ 1,438,120	92%	\$ 2,693,384	53%
12/31/04	\$ 16,822,950	\$ 19,148,577	\$ 2,325,627	88%	\$ 2,801,817	83%
12/31/05	\$ 17,070,893	\$ 19,896,332	\$ 2,825,439	86%	\$ 2,869,827	98%

**HURON COUNTY ROAD COMMISSION
A COMPONENT UNIT OF HURON COUNTY, MICHIGAN
OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BY FUND BALANCE SUB ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2006**

	PRIMARY ROAD FUND	LOCAL ROAD FUND	COUNTY ROAD COMMISSION FUND	TOTAL
REVENUES:				
Property Taxes	\$ 1,117,085	\$ -	\$ -	\$ 1,117,085
Intergovernmental:				
Federal sources	970,907	8,627	-	979,534
State sources	3,216,296	2,370,615	(31,008)	5,555,903
Local sources	-	3,627,654	-	3,627,654
Charges for Services	-	-	1,847,274	1,847,274
Interest	30,980	43,034	6,835	80,849
Other	-	-	137,658	137,658
TOTAL REVENUES	<u>5,335,268</u>	<u>6,049,930</u>	<u>1,960,759</u>	<u>13,345,957</u>
EXPENDITURES:				
Primary Roads:				
Preservation-structural improvements	2,597,609	-	-	2,597,609
Routine and preventative maintenance	954,502	-	-	954,502
Local Roads:				
Preservation-structural improvements	-	4,081,579	-	4,081,579
Routine and preventative maintenance	-	1,598,796	-	1,598,796
Primary Road Structures:				
Preservation-structural improvements	639,435	-	-	639,435
Routine and preventative maintenance	137,597	-	-	137,597
Local Road Structures:				
Preservation-structural improvements	-	92,851	-	92,851
Routine and preventative maintenance	-	6,289	-	6,289
State Trunkline maintenance	-	-	770,594	770,594
State Trunkline non-maintenance	-	-	1,066,602	1,066,602
Equipment Expense - Net	98,674	325,832	139,023	563,529
Administrative Expense - Net	207,906	277,561	-	485,467
Capital Outlay - Net	-	-	(131,360)	(131,360)
Debt Service:				
Principal	63,741	28,676	58,963	151,380
Interest	18,016	8,105	13,170	39,291
TOTAL EXPENDITURES	<u>4,717,480</u>	<u>6,419,689</u>	<u>1,916,992</u>	<u>13,054,161</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>617,788</u>	<u>(369,759)</u>	<u>43,767</u>	<u>291,796</u>
SPECIAL ITEMS:				
Sale of easement	-	-	11,500	11,500
NET CHANGE IN FUND BALANCE	<u>617,788</u>	<u>(369,759)</u>	<u>55,267</u>	<u>303,296</u>
FUND BALANCE - JANUARY 1	1,600,799	2,204,337	320,784	4,125,920
INTERFUND ADJUSTMENT	-	-	-	-
FUND BALANCE - DECEMBER 31	<u>\$ 2,218,587</u>	<u>\$ 1,834,578</u>	<u>\$ 376,051</u>	<u>\$ 4,429,216</u>